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Programme budget for the biennium 2010-2011

First performance report on the programme budget for the biennium 2010-2011

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the first performance report of the Secretary-General on the programme budget for the biennium 2010-2011 (A/65/589). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification.

2. The first performance report on the programme budget for the biennium 2010-2011 reflects adjustments required because of variations in the rates of inflation and exchange and in standards assumed in the calculation of the initial appropriations. The report also takes into account the additional mandates that the General Assembly and the Security Council have approved since the appropriation of the programme budget, as well as unforeseen and extraordinary items that could not be deferred to the second year of the biennium.

3. The revised requirements under the expenditure sections amount to $5,148.6 million, a decrease of $10.3 million, or 0.2 per cent, below the appropriation level of $5,158.9 million approved by the General Assembly in its resolutions 64/244 A and B, 64/260 and 64/288. Paragraph 5 of the report of the Secretary-General (A/65/589) details the factors that resulted in the decrease under the expenditure section. The revised income estimates for the biennium amount to $580.6 million, an increase of $26.2 million, or 4.7 per cent, over the initial estimate of $554.4 million (see also paras. 20 and 21 below). Consequently, revised net requirements amount to $4,568 million, a decrease of $36.5 million, or 0.8 per cent, below the appropriated net requirements of $4,604.5 million. The Advisory Committee provides its comments and recommendations in the paragraphs below.

4. The Advisory Committee notes from paragraph 6 of the report that revised estimates and statements of programme budget implications in response to several draft resolutions under consideration by the Main Committees of the General

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Assembly at the time of finalization of the first performance report amount to approximately $35.6 million. This amount has not been included in the report of the Secretary-General.

5. The Advisory Committee recalls that the General Assembly, in section VI of its resolution 64/245, approved a commitment authority of up to $5 million for the United Nations Assistance Mission in Iraq (UNAMI), under section 33, Construction, alteration, improvement and major maintenance, for the biennium 2010-2011, in order to undertake design work for the construction of an integrated compound in Baghdad. The Secretary-General indicates in paragraph 13 of his report that, during 2010, a Project Manager (P-5) was recruited and an architectural services contract was awarded for the project's schematic design, design development and construction documentation phases. Upon enquiry, the Committee was informed that, to date, UNAMI has entered into commitments with the contractor in the amount of $2.97 million, comprising obligations of $2.39 million and disbursements of $0.58 million.

6. The Advisory Committee notes with concern that, as at 19 July 2010, the architectural services contract has been in a "condition of default" and that it is therefore unlikely that a full specification design would be available until early 2011. The Committee was also informed that the estimated costs would be far higher than originally expected and that the construction timelines would extend much further than planned. UNAMI is currently considering alternative options in Baghdad and has identified an existing site that will become available in 2011. The Committee notes that the Secretary-General is seeking approval to appropriate the amount of $5 million already approved as a commitment authority.

7. **In the context of its report on the budget for the United Nations Assistance Mission in Iraq for 2011, the Advisory Committee has expressed its concern about the reported situation that has resulted in delays in the construction project and urged the Secretary-General to resolve the problems at hand (see A/65/602, paras. 217-221). Therefore, in view of the uncertainties concerning the planned project, the Committee recommends that the amount of $5 million already approved as a commitment authority not be appropriated at present but rather that any actual expenditures arising from the commitment authority be reported in the context of the second performance report for the biennium 2010-2011.**

8. Regarding the enterprise resource planning project, the General Assembly, by its resolution 64/243, approved an amount of $24,192,200 to be funded from the regular budget for the biennium 2010-2011, including an amount of $11,775,900 included in the proposed programme budget for the biennium 2010-2011 under section 28A, Office of the Under-Secretary-General for Management, and authorized the Secretary-General to enter into commitments in the remaining amount of $12,416,300. The Advisory Committee notes from paragraph 18 of the report that, in his second progress report on the implementation of the enterprise resource planning project (A/65/389), it was anticipated that it would be necessary to seek an appropriation of $12,416,300. However, the Committee was informed that, as a result of more up-to-date information on expenditure patterns, it is now proposed to continue to monitor the progress of the project and to report any requirements arising from the commitment authority in the context of the second

performance report for the biennium 2010-2011. **The Advisory Committee has no objection to the proposed approach.**

9. Concerning changes in foreign currency rates, the Secretary-General indicates in paragraph 20 of his report that the net increase in the amount of $29.3 million reflects a general weakening of the United States dollar during 2010 in a number of operational rates as compared with those foreseen in the initial appropriation. The fluctuations of several currencies are described in paragraphs 21 to 26 of the report. With regard to inflation, paragraphs 27 to 31 provide further details on the post and non-post elements that led to the decreased requirements of $24.3 million.

10. As indicated in paragraphs 32 to 34 of the report, adjustments to standard costs reflect the net effect of changes in standard salary costs, common staff costs and staff assessment rates. The adjustments resulted in a decrease of $27.2 million, comprising a net decrease of $5.6 million as a result of lower than projected average net base salary costs and a net decrease of $21.6 million as a result of adjustments to the rates of common staff costs at all duty stations. Upon enquiry, the Advisory Committee was provided with a table showing recosted amounts from the biennium 1996-1997 to the biennium 2010-2011. The Committee notes the profound effects of inflation and fluctuations in foreign exchange rates on the basket of standard costs, which are routinely recosted during the biennial life cycle of a budget (see annex 1).

11. In that connection, the Advisory Committee recalls that the General Assembly, in paragraph 52 of its resolution 64/243, requested the Secretary-General, in the context of the first performance report, to report on options for protecting the United Nations against fluctuations in exchange rates and inflation, drawing on the experience of other organizations of the United Nations system. As described in paragraphs 53 to 76 and summarized in annex V of his report, the Secretary-General indicates that input was received from 8 of the 15 organizations contacted by means of a questionnaire requesting information on the various mechanisms and tools they use to protect and mitigate the effects of fluctuations in exchange rates and inflation, including past experience and lessons learned.

12. In his report, the Secretary-General provides an overview of the various measures applied by the eight organizations to mitigate the impact of currency fluctuations. For example, the split assessment system, or the collection of contributions in more than one currency, is used by the International Civil Aviation Organization, which operates in two major currencies, namely the United States dollar and the Canadian dollar. To hedge against currency fluctuations, both the International Civil Aviation Organization and the United Nations Population Fund have entered into currency forward contracts. Furthermore, some organizations, such as the International Maritime Organization, the World Intellectual Property Organization and the United Nations Industrial Development Organization have established their budgets in the host country currencies in order to overcome some of the problems associated with currency fluctuations.

13. In that connection, the Advisory Committee was provided, upon enquiry, with a table showing the estimated proportion of currencies in the initial appropriation for the biennium 2010-2011, as follows:

Table 1

United States dollar	63 per cent
Swiss franc	19 per cent
Euro	4 per cent
Ethiopian birr	3 per cent
Chilean peso	2 per cent
Thai baht	2 per cent
Other	7 per cent

The Advisory Committee notes that the United States dollar comprised 63 per cent of the initial appropriation for the biennium 2010-2011, while the basket of other currencies comprised 37 per cent, including the Swiss franc and the euro, which account for a combined 23 per cent of the total.

14. The Secretary-General indicates in paragraph 76 of his report that he intends to undertake a review of the Organization's foreign exchange transactions in order to assess the currency exposure and potentially the required risk management of the Organization and to present the findings of the review to the General Assembly. The Advisory Committee was informed that, once the complete data had been gathered, a planned "mock-up" exercise would be undertaken, based also on historical foreign exchange and inflation data, in order to determine how risk could have been mitigated. The mock-up exercise would also identify any related transaction and other bank fees that would have been incurred.

15. **The Advisory Committee observes that, to date, the exercise has merely entailed the gathering of information on the practices of some United Nations entities concerning adjustments for inflation and foreign exchange rate fluctuations, with no analysis and conclusions drawn. The Committee regrets the low level of responses by the entities concerned and their apparent reluctance to share their experiences. The Committee urges the Secretary-General to follow up with the remaining organizations that have not yet responded in order to be able to draw from the experiences of as many entities as possible. The Committee notes the intention of the Secretary-General to report more extensively on the matter either in the context of the second performance report for the biennium 2010-2011 or in the context of the proposed programme budget for the biennium 2012-2013. The Committee looks forward to the completion of a comprehensive report on effective and cost-efficient options for protecting the United Nations against fluctuations in both exchange rates and inflation, as requested by the General Assembly in its resolution 64/243. In that regard, the Secretary-General may also wish to review options for protecting Member States against the risks posed by foreign exchange fluctuations and inflation.**

16. As indicated in paragraph 35 to 37 of the report of the Secretary-General, the effective budgeted vacancy rates for the biennium 2010-2011 are 10.3 per cent for the Professional category and 4.9 per cent for the General Service category. The

Secretary-General indicates that the vacancy rate realized in the Professional category has decreased from 8.9 per cent in January 2010 to 8 per cent in September 2010. The Secretary-General also indicates that, given the steady downward trend of the realized vacancy rates towards the budgeted rates over the course of the first year of the biennium, and taking into account the experience of previous bienniums, a further reduction in realized vacancy rates is to be expected over the course of the second year of the biennium. The Secretary-General notes that, while this could result in expenditure requirements for posts exceeding budgeted provisions, no adjustments for vacancy rates for both categories have been made. However, the situation would be monitored and reported upon in the context of the second performance report for the biennium 2010-2011.

17. Upon enquiry, the Advisory Committee was provided with updated vacancy statistics, as at 31 October 2010, for authorized posts under the regular budget for the biennium 2010-2011 (see annex II). The Committee notes the cumulative average vacancy rate of 5.5 per cent for both staff categories under all 34 sections of the programme budget. **The Advisory Committee is concerned that some sections continue to show significantly higher vacancy rates; for example, section 5, Peacekeeping operations, shows an average vacancy rate of 12.8 per cent; section 11, United Nations support for the New Partnership for Africa's Development, 17.1 per cent; section 17, Economic and social development in Africa, 17.4 per cent; and section 30, Internal oversight, 19.1 per cent. The Committee expects that all efforts are being undertaken to further reduce these high vacancy rates. The Committee will continue to follow up the matter in the context of its consideration of the proposed programme budget for the biennium 2012-2013 and of other relevant reports submitted to the General Assembly.**

18. In paragraphs 39 to 52 of his report, the Secretary-General provides detailed information regarding the limited discretion of the Secretary-General for budgetary implementation authorized in General Assembly resolutions 60/283, 64/243 and 64/260. Under the provisions of those resolutions, the Secretary-General is authorized to enter into commitments of up to $20 million in the biennium 2010-2011 for positions and non-post requirements for the purpose of meeting the evolving needs of the Organization in attaining its mandated programmes and activities. In this connection, the Advisory Committee recalls the modalities and criteria for the use of the limited discretion of the Secretary-General for budgetary implementation authorized in General Assembly resolution 60/283 (see A/63/620, annex I).

19. As summarized in paragraph 40 and explained in further detail in paragraphs 41 to 52 of his report, the Secretary-General utilized his limited discretion for budgetary implementation to address: (a) the extension of appointments of the ad litem judges for the United Nations Dispute Tribunal ($2,038,200); (b) the strengthening of the Administrative Law section of the Office of Human Resources Management ($518,900); (c) the funding related to the strengthening of the Office of Legal Affairs arising from the increased workload related to the new system of Administration of Justice ($826,600); and (d) the reconstruction/renovation of the compound of the Economic Commission for Latin America and the Caribbean in Santiago following the February 2010 earthquake ($5,522,900). Those requirements were met through the utilization of potential underexpenditures identified under section 3, Political Affairs; section 5, Peacekeeping Operations; section 17, Economic and social development in

Africa; section 21, Economic and social development in Western Asia; and section 34, Safety and security. As indicated in paragraph 40, the Secretary-General may exercise his authority over the remaining balance of $11.1 million for the biennium 2010-2011.

20. As detailed in paragraphs 80 to 83 of the report of the Secretary-General, the revised income estimates for the biennium amount to $580.6 million, an increase of $26.2 million, or 4.7 per cent, comprising: (a) an increase of $21,250,100 under income section 1, Income from staff assessment; (b) an increase of $9,311,300 under income section 2, General income, reflecting an increase in interest income offset by a decrease in rental income; and (c) a decrease of $4,368,600 under income section 3, Services to the public, attributable to the absence of revenue from the catering operation, as well as lower sales of philatelic items as a result of venue closures during the capital master plan construction phase.

21. The Advisory Committee enquired as to measures undertaken to mitigate the losses under income section 3 and was informed that in 2011 new electronic products, including an e-book collection and the publication of a new edition of *The United Nations Today*, would be developed in connection with the sales of publications. It is anticipated that those initiatives will yield an increase in revenue. Also, efforts will be undertaken to further streamline the variable costs related to the sale of publications. The Committee was also informed that, regarding the disruptions resulting from the capital master plan, discussions were under way to find ways to allow visitors to access the General Assembly Hall during the capital master plan construction phase, which is to begin in late 2012. **The Advisory Committee takes note of the impact of the capital master plan on income, inter alia, as a result of reduced catering services, and encourages the Secretariat to take the necessary measures to mitigate any resulting losses.**

22. **The Advisory Committee recommends that the General Assembly approve the revised estimates contained in the report of the Secretary-General (A/65/589), subject to its comments in paragraph 7 above, and subject to such adjustments as may be necessary as a result of its consideration of matters now before the Assembly, including the consolidated statement of revised estimates and programme budget implications.**

Annex I

Evolution of recosted amounts per biennium

(In millions of United States dollars)

Biennium	*Recosting contained in proposed programme budget proposals*[a]	*Recosting reflected at time of initial appropriation*[a,b]	*Recosting reflected in the first performance report*[a,c]	*Recosting reflected in the second performance report*[a,d]	*Total recosting*
1996-1997	176.9	89.9	(39.5)	(47.7)	179.6
1998-1999	103.7	(113.7)	(56.3)	(19.2)	(85.5)
2000-2001	119.8	(87.6)	(49.9)	19.6	1.8
2002-2003	129.3	35.3	113.3	66.9	344.8
2004-2005	152.4	150.5	123.9	38.4	465.2
2006-2007	195.3	(52.8)	66.7	33.4	242.6
2008-2009	200.4	43.7	179.4	(5.0)	418.5
2010-2011	171.8	(63.7)	(22.2)	tbd	tbd

[a] Recosting adjustments are estimated changes against assumptions made during the prior phase of the budget cycle.

[b] Revised estimates: effect of changes in rates of exchange and inflation for the biennium 1996-1997 (A/C.5/50/38), 1998-1999 (A/C.5/52/34), 2000-2001 (A/54/623/Add.1), 2002-2003 (A/56/659), 2004-2005 (A/58/528), 2006-2007 (A/60/599), 2008-2009 (A/62/587) and 2010-2011 (A/64/576).

[c] First performance report on the programme budget for the biennium 1996-1997 (A/C.5/51/38), 1998-1999 (A/53/693), 2000-2001 (A/55/645/Add.1), 2002-2003 (A/57/616), 2004-2005 (A/59/578), 2006-2007 (A/61/593), 2008-2009 (A/63/573) and 2010-2011 (A/65/589).

[d] Second performance report on the programme budget for the biennium 1996-1997 (A/C.5/52/32), 1998-1999 (A/54/631), 2000-2001 (A/56/674), 2002-2003 (A/58/558), 2004-2005 (A/60/572), 2006-2007 (A/62/575) and 2008-2009 (A/64/545).

Annex II

A. Vacancy statistics for authorized posts under the regular budget, by section, as at 31 October 2010

Section	Professional			General Service			Total		
	Authorized	*Vacant*	*Rate*	*Authorized*	*Vacant*	*Rate*	*Authorized*	*Vacant*	*Rate*
1. Overall policymaking, direction and coordination	116	8	6.9	97	3	3.1	213	11	5.2
2. General Assembly and Economic and Social Council affairs and conference management	1 018	45	4.4	915	26	2.8	1 933	71	3.7
3. Political affairs	215	13	6.0	155	14	9.0	370	27	7.3
4. Disarmament	39	2	5.1	23	—	—	62	2	3.2
5. Peacekeeping operations	49	7	14.3	349	44	12.6	398	51	12.8
6. Peaceful uses of outer space	19	—	—	5	—	—	24	—	
7. International Court of Justice	58	3	5.2	56	1	1.8	114	4	3.5
8. Legal affairs	85	6	7.1	59	3	5.1	144	9	6.3
9. Economic and social affairs	331	41	12.4	216	7	3.2	547	48	8.8
10. Least developed countries, landlocked developing countries and small island developing States	14	2	14.3	4	—	—	18	2	11.1
11. United Nations support for the New Partnership for Africa's Development	25	6	24.0	10	—	—	35	6	17.1
12. Trade and development	243	3	1.2	157	2	1.3	400	5	1.3
14. Environment	31	1	3.2	17	—	—	48	1	2.1
15. Human settlements	50	—	—	25	—	—	75	—	
16. International drug control, crime and terrorism prevention and criminal justice	89	1	1.1	33	—	—	122	1	0.8
17. Economic and social development in Africa	238	52	21.8	321	45	14.0	559	97	17.4
18. Economic and social development in Asia and the Pacific	193	21	10.9	247	16	6.5	440	37	8.4
19. Economic development in Europe	125	10	8.0	75	1	1.3	200	11	5.5
20. Economic and social development in Latin America and the Caribbean	216	11	5.1	280	5	1.8	496	16	3.2
21. Economic and social development in Western Asia	115	24	20.9	146	1	0.7	261	25	9.6
23. Human rights	253	19	7.5	86	1	1.2	339	20	5.9
24. International protection, durable solutions and assistance to refugees	2	—	—	—	—	—	2	—	
25. Palestine refugees	122	5	4.1	11	1	9.1	133	6	4.5
26. Humanitarian assistance	53	—	—	17	—	—	70	—	
27. Public information	284	14	4.9	454	26	5.7	738	40	5.4
28. Management and support services	339	4	1.2	870	—	—	1 209	4	0.3

Section	Professional			General Service			Total		
	Authorized	*Vacant*	*Rate*	*Authorized*	*Vacant*	*Rate*	*Authorized*	*Vacant*	*Rate*
29. Office of Information and Communications Technology	77	8	10.4	60	1	1.7	137	9	6.6
30. Internal oversight	82	21	25.6	33	1	3.0	115	22	19.1
34. Safety and security	63	9	14.3	1 017	32	3.1	1 080	41	3.8
Subtotal	**4 544**	**336**	**7.4**	**5 738**	**230**	**4.0**	**10 282**	**566**	**5.5**
Income section 3									
Services to the public	15	4	26.7	74	5	6.8	89	9	10.1
Subtotal	**15**	**4**	**26.7**	**74**	**5**	**6.8**	**89**	**9**	**10.1**
Total	**4 559**	**340**	**7.5**	**5 812**	**235**	**4.0**	**10 371**	**575**	**5.5**

B. Vacant authorized posts under the regular budget as at 31 October 2010

Section	*Vacant posts*	*Professional*	*General Service*	*Number of vacancies and level*
1. Overall policymaking, direction and coordination	11	8	3	1 USG, 2 P-5, 2 P-4, 3 P-3, 2 GS (OL), 1 LL
2. General Assembly and Economic and Social Council affairs and conference management	71	45	26	18 P-4, 19 P-3, 8 P-2/1, 3 GS (PL), 23 GS (OL)
3. Political affairs	27	13	14	1 D-1, 2 P-5, 2 P-4, 6 P-3, 2 P-2/1, 4 GS (OL), 4 SS, 6 FS
4. Disarmament	2	2	—	2 P-3
5. Peacekeeping operations	51	7	44	1 D-1, 1 P-5, 2 P-4, 1 P-3, 2 P-2/1, 1 GS (OL), 43 FS
7. International Court of Justice	4	3	1	2 P-4, 1 P-3, 1 GS (OL)
8. Legal affairs	9	6	3	1 D-2, 1 P-4, 2 P-3, 2 P-2/1, 3 GS (OL)
9. Economic and social affairs	48	41	7	1 D-2, 4 D-1, 4 P-5, 10 P-4, 10 P-3, 12 P-2/1, 1 GS (PL), 6 GS (OL)
10. Least developed countries, landlocked developing countries and small island developing States	2	2	—	1 P-4, 1 P-3
11. United Nations support for the New Partnership for Africa's Development	6	6	—	1 USG, 2 P-4, 3 P-3
12. Trade and development	5	3	2	1 D-1, 2 P-3, 1 GS (PL), 1 GS (OL)
14. Environment	1	1	—	1 P-4
16. International drug control, crime and terrorism prevention and criminal justice	1	1	—	1 P-2/1
17. Economic and social development in Africa	97	52	45	1 D-2, 1 D-1, 11 P-5, 11 P-4, 22 P-3, 6 P-2/1, 1 GS (OL), 31 LL, 1 FS, 12 NO
18. Economic and social development in Asia and the Pacific	37	21	16	1 D-2, 2 D-1, 4 P-5, 8 P-4, 2 P-3, 4 P-2/1, 14 LL, 2 NO
19. Economic development in Europe	11	10	1	1 D-1, 3 P-5, 1 P-4, 3 P-3, 2 P-2/1, 1 GS (OL)
20. Economic and social development in Latin America and the Caribbean	16	11	5	1 P-5, 2 P-4, 4 P-3, 4 P-2/1, 5 LL
21. Economic and social development in Western Asia	25	24	1	4 P-5, 14 P-4, 4 P-3, 2 P-2/1, 1 NO
23. Human rights	20	19	1	2 D-1, 3 P-5, 6 P-4, 8 P-3, 1 GS (OL)
25. Palestine refugees	6	5	1	1 D-2, 1 P-5, 3 P-4, 1 GS (OL)
27. Public information	40	14	26	1 D-2, 2 P-5, 5 P-4, 4 P-3, 2 P-2/1, 2 GS (PL), 11 GS (OL), 12 LL, 1 NO
28. Management and support services	4	4	—	1 P-4, 2 P-3, 1 P-2/1
29. Office of Information and Communications Technology	9	8	1	1 D-1, 1 P-5, 1 P-4, 3 P-3, 2 P-2/1, 1 GS (OL)
30. Internal oversight	22	21	1	3 D-1, 1 P-5, 6 P-4, 6 P-3, 5 P-2/1, 1 GS (OL)
34. Safety and security	41	9	32	1 ASG, 2 P-4, 5 P-3, 1 P-2/1, 1 GS (PL), 9 GS (OL), 15 SS, 7 LL
Subtotal	**566**	**336**	**230**	**2 USG, 1 ASG, 6 D-2, 17 D-1, 40 P-5, 101 P-4, 113 P-3, 56 P-2/1, 8 GS (PL), 67 GS (OL), 19 SS, 70 LL, 50 FS, 16 NO**

Section	*Vacant posts*	*Professional*	*General Service*	*Number of vacancies and level*
Income section 3				
Services to the public	9	4	5	1 P-4, 2 P-3, 1 P-2/1, 5 GS (OL)
Total	575	340	235	**2 USG, 1 ASG, 6 D-2, 17 D-1, 40 P-5, 102 P-4, 115 P-3, 57 P-2/1, 8 GS (PL), 72 GS (OL), 19 SS, 70 LL, 50 FS, 16 NO**

Abbreviations: ASG, Assistant Secretary-General; FS, Field Service; GS (OL), General Service (Other level); GS (PL), General Service (Principal level); LL, Local level; NO, National Officer; SS, Security Service